Message from the Chief Financial Officer

We are working to improve profitability and capital efficiency, while targeting ROE of 9.0% in the fiscal year ending March 31, 2017, the final year of the medium-term management plan, and ROE of more than 11.0% in the fiscal year ending March 31, 2020, the final year of the long-term management plan.

Kenichi Shibasaki

Managing Executive Officer
Responsible for Financing and Accounting and Investor Relations

Business Performance in Year Ended March 2015

In the fiscal year under review, operating income came in at a record-high level due to the implementation of cost optimization, yet fell somewhat short of the ¥70.0 billion target because of factors that included the adverse impact of recoiling demand following the pre-consumption tax hike surge in spending, lower-than-expected *TA-Q-BIN* and *Kuroneko Mail* service delivery volumes in March, and increases in costs (advertising expenses) involved in announcing our new service offerings. (*TA-Q-BIN Compact*, *Nekopos* and *Kuroneko DM-Bin*).

In the fiscal year ended March 31, 2015, despite a visible trend toward improvement in the overall economic environment in Japan amid higher corporate earnings, lagging recovery in personal consumption was evident as a result of a decline in demand that accompanied the consumption tax rate hike, rising prices in step with the weakening yen, and other factors. Moreover, the Yamato Group faced a harsh operating environment as tight labor market conditions persisted.

Against this background, we worked to achieve the objectives of the medium-term management plan *DAN-TOTSU Three-Year Plan STEP* and the long-term *DAN-TOTSU Management Plan 2019*. To this end, we focused our efforts on taking steps to create a business model for generating a high level of added value while pursuing greater sophistication of our existing businesses by fusing logistics networks that have been developed with the business resources of individual Group companies.

In the Delivery Business, delivery volumes were sluggish due in part to stagnating personal consumption and the effect of surging demand ahead of the consumption tax rate hike in the previous fiscal year. Nevertheless, revenue increased ¥2.0 billion amid gains in *TA-Q-BIN* unit prices as a result of our efforts to promote the collection of adequate fees. With respect to profits, amid the tight labor market conditions and the deteriorating cost environment, income also increased due to factors that included thorough cost management in line with operating volumes encompassing personnel expenses, costs of outsourcing work, and other expenses. Having included the promotion of measures to improve productivity, cost optimization is determined to have been sufficiently beneficial.

In the non-delivery businesses, we took steps to expand our existing service offerings by enlisting the strengths of Group companies, while drawing on Groupwide ties as we continued to aggressively pursue solution sales geared toward addressing customers' business challenges. The BIZ-Logistics Business in particular acted as a driver of positive earnings results. Operating revenue increased substantially, in line with new orders in sales and logistics as well as in multi-maintenance. In contrast, the e-Business segment faced some difficulties. However, we expect the segment to recover in the current fiscal year, given that the poor performance was brought about by an accounting period mismatch between the timing of costs and revenues amid an increase in the amount of work in process related to the development of information systems. The Home Convenience Business achieved a profit for the second consecutive year by bringing about improvements in its weekday utilization rate. Having freed itself from deficit, the Home Convenience Business can be expected to contribute to the Group's overall profit.

As a result, operating revenues for the fiscal year ended March 31, 2015, increased ¥22.0 billion year on year, or 1.6%, to ¥1,396.7 billion, and operating income rose a record-high ¥5.9 billion, or 9.3%, to ¥68.9 billion. Net income for the fiscal year under review increased ¥2.7 billion, or 7.9%, to ¥37.5 billion.

Year Ending March 2016 Forecasts

In the fiscal year ending March 31, 2016, which marks the second year of *DAN-TOTSU Three-Year Plan STEP*, our medium-term management plan, we will create services that will convert into more tangible forms our "*Value Networking*" design that targets B2B logistics. In conjunction with these efforts, I feel it will be necessary to continue toward the stage where more customers will be making easy use of our services. Furthermore, we will draw up growth strategies from a long-term perspective and accelerate our globalization efforts.

We forecast consolidated operating revenues will increase 2.4% year on year, to ¥1,430.0 billion, and operating income will rise 4.4%, to ¥72.0 billion. The forecast for operating income factors in the negative impact of approximately ¥1.5 billion increase in size-based business tax due to the government's tax reform plan. As a result of ongoing implementation of thorough-going cost optimization, we are expecting the operating income margin to edge by up 0.1 of a percentage point, to 5.0%.

Long-Term Management Plan and ROE

The entire Yamato Group is pushing forward in unison with a view to converting into more tangible forms its management philosophy of helping to "enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system." To this end, the Yamato Group formulated *DAN-TOTSU Management Plan 2019* in January 2011 and took on the challenge of becoming Asia's No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which marks the 100th anniversary of the Company's founding. Under this long-term plan, we aim to raise the levels of satisfaction of all our stakeholders, including shareholders, customers, society at large, and employees.

In addition to bringing about improvements in profitability by steadily carrying out the business plans, we are working to enhance capital efficiency by implementing capital measures that draw on our robust financial foundation. From this perspective, we have set ROE targets to serve as an indicator that will raise awareness toward an improvement in shareholder value, and in my view we will achieve the sum of business and financial strategies. Under the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, which remains in effect until the fiscal year ending March 31, 2017 (fiscal year ended March 31, 2015, to the fiscal year ending March 31, 2017), we are aiming to achieve ROE of 9.0%, and under the long-term *DAN-TOTSU Management Plan 2019*, which remains in effect until the fiscal year ending March 31, 2020, we are aiming to achieve ROE of more than 11.0%.

Agility and Flexibility of Financing Activities

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures. As of March 2015, Yamato Holdings received the following credit rating from Rating and Investment Information, Inc. (R&I):

R&I AA–

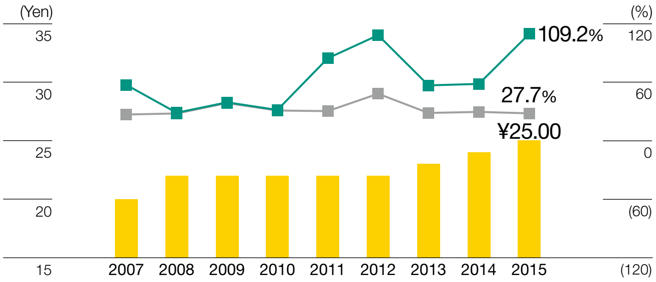
The Yamato Group will strive to remain aware of capital costs, while at the same time maintain the existing credit rating to facilitate smooth capital procurement.

Implementation Status of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns

The Yamato Group seeks to provide returns to shareholders based on the return to shareholders ratio of 50%, a combination of both dividends and purchase of treasury stock. Our basic policy is to pay dividends with a targeted consolidated dividend payout ratio of 30% of consolidated net income. During the fiscal year ended March 31, 2015, we purchased ¥30.0 billion in treasury stock and retired ¥31.5 billion of treasury stock. Although the negative impact of new tax reform amounted to approximately ¥3.5 billion, ROE edged up 0.3 of a percentage point compared with the previous fiscal year, to 6.7%, and the return to shareholders ratio, a combination of both dividends and purchase of treasury stock, exceeded 100%.

For the fiscal year ended March 31, 2015, dividends amounted to ¥25 per share, ¥1 higher than in the previous fiscal year. For the fiscal year ending March 31, 2016, we are planning a dividend of ¥26 per share for the fourth consecutive year and a consolidated dividend payout ratio of 25.2% and will take our earnings performance into consideration as we aim for a consolidated dividend payout ratio of 30%. With regard to treasury stock, we will be flexible in our considerations of its utilization for M&A as part of our capital policies.

Change of Dividend



Years Ended March 31
Cash dividend per share (left scale)
Total shareholders' return ratio (right scale) Payout ratio (right scale)